

Dear shareholders,

2003 was initially expected to emerge as a year where markets gradually recovered and became as lively as experienced before the current sluggishness. Unfortunately, this has turned out to be wishful thinking, and markets have remained flat.

Nevertheless, Uponor's market prospects have remained satisfactory during the otherwise sluggish period, as evidenced by our last year's like-for-like growth of over 20 per cent in the USA, in US dollar terms. Furthermore, demand remained at healthy levels in other large markets, such as Spain, the UK and the Nordic countries. In Germany, which has suffered from the decline in the housing construction market – by almost half of the peak level – during the early years of the 21st century, demand showed signs of steadying. So, this is the first time in many years that the Group has recorded a growth in German sales.

When it came to our business segments, our plumbing and radiant floor heating systems in North America and our Unipipe plumbing system for the European market met with favourable development, the latter proving a success in renovation and modernisation projects. It was also noteworthy that our Housing Solutions business strengthened its market position in the UK, Spain and Finland. Contrary to the favourable development overall, Housing Solutions' promising business growth stalled in Italy.

Our Infrastructure and Environment business was faced with a number of challenges. Its Swedish, Norwegian, Spanish and Portuguese units, as well as the No-Dig renovation business, showed disappointing profitability figures. Performance in the UK was weaker than expected, due to utilities customers' shorter order books.

In spite of the satisfactory market situation, Uponor reported markedly lower net sales for 2003, due mainly to our divestments in 2003 and the stronger euro. However, like-for-like net sales, i.e. net sales reckoning without these factors rose by 4.9 per cent, which is satisfactory, given the prevailing market environment.

The fact that our performance in the second half was considerably better than in the first half, adds to our optimism.

Consolidated operating profit came to EUR 30.7 million, which is 73 per cent lower than a year ago. However, this figure includes EUR 54.9 million in restructuring costs expensed for 2003 and provided for 2004.

In comparable terms, however, we improved our profitability, due mainly to the following three factors:

- First, at the beginning of the year, we divested parts of our somewhat less profitable municipal businesses;
- Second, we intensified our organic growth during the second half, in particular;
- And finally, our restructuring measures taken are gradually being reflected in the bottom line.

This was the fifth year in a row that we succeeded in strengthening our cash flow from business operations, while maintaining a strong balance sheet.

The company's core business– Pipe Systems – improved year-on-year profitability, thanks to invigorating demand towards the end of the year. But, by and large, its profitability is still at too low a level, considering Uponor's strong international market position.

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Recent years have seen a large-scale restructuring programme at Uponor, which has, one way or another, affected almost all of the company's employees. The purpose of the programme is to reshape the Group's structure in such a way that supports the implementation of the current corporate strategy, while promoting competitiveness in the ever-changing operating environment. Last year, we centralised our operations on larger units, discontinued unprofitable production lines, and closed down smaller production plants.

With a view to enhancing our profitability further, we announced, in December, a large-scale restructuring programme for 2004, which included a EUR 45 million provision entered in the 2003 financial statements. This programme aims to increase our operational efficiency, to seek economies of scale by creating larger units, to streamline corporate administration, and to upgrade our supply chain. Although this is a long-term programme, it will considerably contribute to the Group's profit performance as early as 2005.

As part of the restructuring programme now under way, we will analyse the role of those businesses less central to the Group's development within the new Uponor.

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In a strategic sense, Uponor is well positioned, holding a strong position in the world's main markets. We are operating in all main markets for housing solutions in Europe and North America – primarily radiant floor heating and plumbing systems – and we hold the number one or two position in many of those markets. When it comes to Infrastructure and Environment solutions, we are focusing on the European market, where our position is strongest in the Nordic countries.

All our current efforts within the Group aim to provide solid foundations for seeking new growth.

During 2003, we sharpened and re-focused our strategy introduced in 2001. Accordingly, we aim to focus on businesses with a great potential for profitable international growth. We have already instigated structural and organisational changes, with a view to strengthening our market position and deepening our customer relationships.

In a controlled way, we are transforming our decentralised structure to a more centrally led one, while creating a new, uniform operating model for the company, with the ultimate aim of creating a *one, unified Uponor*. These changes will provide a solid basis for our business, enabling us to focus, at full stretch, on growth.

In early February, we announced a major change in our organisational structure by adopting a geographic organisation as opposed to the previous divisional organisation. The underlying reasons for this change are twofold. First, a geographic organisation removes one organisational layer, while making implementing changes quicker and more efficient. Second, due to the strategic transformation of the Group resulting in a more

focused business, there is markedly less need for a divisional organisation. I am confident that the new organisation will bring us closer to our customers, while helping us to utilise our market position to its full effect.

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In December, the Board of Directors approved Uponor's new long-term financial targets, disclosed in our Annual Report, among other things.

Uponor's near-term growth will focus on organic growth; the company aims to achieve this by upgrading its product offerings, making efficient use of growing market segments – such as renovation markets – and by launching new products. The market segments for Uponor's products grow faster than the construction market in general, and we aim to achieve an annual organic net sales growth of 5 per cent in the long term by further developing our systems offerings.

We also aim at significant improvements in profitability and return on investment. The large-scale restructuring programme – which is transforming the company from a multi-sector, multi-brand company to an integrated and unified Group with a sharply focused business – will pave the way for higher profitability and return on investment.

Some of Uponor's businesses have already achieved these targets. Based on these experiences, we aim to streamline our operations, in order to meet our operating profit target and to increase capital turnover, thus improving return on investment. Uponor also aims to maintain its solvency at a healthy level, which will provide scope for flexibility.

We also aim to be a safe and attractive investment, while increasing shareholder wealth based on a stable and competitive dividend policy and a healthy share price development.

In fact, Uponor has already considerably increased its appeal as an investment, as evidenced by the number of shareholders increasing from 3,200 in early 2003 to almost today's 4,300. Foreign shareholders account for around 30 per cent of all shareholders.

I hope that Uponor will continue to serve as an attractive investment for you in the future, as well.

Thank you for your attention!